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MEMORANDUM

TO: State Employees

FROM: Mary Elizabeth Harrod, Commissioner
Department of Human Resources Administration

DATE: January 8, 2013

SUBJECT: **2013 Tax and Social Security Withholding Changes – American Taxpayer Relief Act of 2012 and Frankfort Occupational Tax**

In an effort to make sure you are aware and understand how recent federal law and local tax ordinance changes will impact your paycheck starting in January 2013, the below information has been prepared for your review.

Social Security Withholding

In order to postpone the fiscal cliff, the American Taxpayer Relief Act of 2012 was passed on January 2, 2013 by the United States Congress and signed into law by the President. This action maintained the same Federal tax rates as last year for all individual state employees. However, the Federal government did not extend the Social Security withholding "holiday" rate of 4.2 percent, which had been in effect for the previous two years. Thus, the employee share of the Social Security withholding will return to 6.2 percent starting with the January 15, 2013 paycheck (for the December 16-31, 2012 pay period).

This increase will be visible on the printed check stubs under Statutory Deductions as FICA, which is a combination of the Social Security and Medicare withholdings. It can be seen on the electronic salary statement under Statutory Deductions as FED TX EE Social Security.

Example: An employee with \$1,500 in taxable wages will see the Social Security withholding increase from \$63 to \$93.

Local Frankfort Occupational Tax

On June 25, 2012, the Frankfort Board of Commissioners passed Ordinance No. 9, 2012. The ordinance increased the Frankfort occupational tax rate from 1.75 percent to 1.95 percent. For employees who are subject to 100 percent Frankfort occupational tax, the local occupational tax will increase to 1.95 percent on the January 30, 2013 paycheck (for the January 1-15, 2013 pay period).

This increase will be visible on the printed check stubs under Statutory Deductions as Local Tax. It can be seen on the electronic salary statement under Statutory Deductions as KY20 TX EE Occupation Tax.

Example: An employee with \$1,500 in taxable wages, who is subject to the Frankfort occupational tax at 100 percent, will see the local occupational withholding increase from \$26.25 to \$29.25.

If you do not work within the City of Frankfort, this occupational tax change will not apply to you.

Should you have additional questions or seek further information, your agency's HR Administrator and the Personnel Cabinet's Department of Human Resource Administration are available to assist you.